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ABSTRACT

This report reviews California's Child Support Enforcement program (CCSEP) and prospects for increasing support payments. Chapter I describes the structure of the CCSEP, recent collection experience, and prospects for growth in collections under current practices. Chapter II describes recent revisions in federal law concerning the program and the expected effect of the changes on collections of support payments in California. Chapter III presents an analysis of county collections in 1982-83 and reviews what is known about effective child support programs. Finally, Chapter IV discusses several actions California could take to increase its collections, including charging interest on unpaid support obligations, adjusting the current incentive payment systems, and developing computer systems. Appended are definitions of enforcement actions as well as estimates of 1982-83 AFDC collections as a function of administrative costs, total staffing, and enforcement actions. (RH)

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# A REVIEW OF CALIFORNIA'S CHILD SUPPORT ENFORCEMENT PROGRAM

SEPTEMBER 1985

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# INTRODUCTION

Recently, increased attention has been focused on the child support enforcement activities of the Aid to Families with Dependent Children program. In particular, this interest has centered on the potential for increasing the amount of financial support provided by absent parents for their children. In addition, recent federal legislation (PL 98-378) has mandated that states take new steps to improve their enforcement efforts.

This report reviews California's Child Support Enforcement program and the prospects for increasing support payments. The first chapter describes the structure of California's Child Support Enforcement program, recent collection experience, and the prospects for growth in collections under current practices. Chapter II describes the recent federal law revisions in this program and the expected effect of these changes on collections in California. Chapter III presents an analysis of county collections in 1982-83 and reviews what is known about effective Child Support Enforcement programs. Finally, Chapter IV discusses several actions California could take to increase its collections, including:

- Charging interest on unpaid support obligations.
- Adjusting the current incentive payment systems.
- Developing computer systems.

Our review of the Child Support Enforcement program was conducted at the request of Assemblyman Tom Bates, Chairman of the Assembly Human Services Committee. This report was prepared by David Maxwell-Jolly under the supervision of Hadley Johnson. It was typed by Tanya Elkins.

## ACKNOWLEDGMENTS

We are grateful to the Department of Social Services--in particular, the Child Support Program Management Branch--for its cooperation in the collection of data used in this report. We are also indebted to the child support enforcement staff of the various counties that we visited while compiling information for this report.

## EXECUTIVE SUMMARY

This report reviews the effectiveness of California's child support collection program and identifies procedures that show the greatest promise of increasing these collections.

### Overview of the Child Support Enforcement Program

The Child Support Enforcement program is a revenue-producing program administered by district attorneys' offices throughout the state. Through this program, the district attorneys locate absent parents, establish paternity, and obtain and enforce child support orders. Total child support collections on behalf of both welfare and nonwelfare children are expected to reach $325 million in 1985-86. Part of these collections--$59 million--will offset state General Fund costs of cash grants provided to welfare children.

Child support collections in future years can be expected to grow more slowly than they have in recent years. Base collections--that is, collections from activities other than tax and Unemployment Insurance (UI) intercept programs--can be expected to grow at an annual rate of 1 to 4 percent. Collections from the tax and UI intercept programs are likely to decline in the next few years. The decline in intercept collections within California reflects a nationwide trend.

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Federal Child Support Legislation

Congress recently enacted HR 4325 (PL 98-378), which made various changes in the Child Support Enforcement program. Among the changes made by the law are the following:

- The federal share of administrative expenditures will be reduced from 70 percent to 68 percent in 1987 and to 66 percent in 1989. This will result in a corresponding increase in the county share of costs--from 30 percent to 32 percent in 1987 and to 34 percent in 1989.
- The federal incentive payments will change from the current 12 percent incentive paid on welfare collections to a rate based on the ratio of collections to costs for both welfare and nonwelfare collections. We estimate that California's federal incentive payments would have decreased by nearly $2 million, had the new rule been in effect in 1983-84.
- States are required to establish expedited procedures for the establishment and enforcement of support orders. These procedures may include either an administrative law structure or court-appointed commissioners to handle child support cases.
- States are required to ensure that wage withholding provisions are included in initial and amended child support orders.
- States are required to collect application fees for nonwelfare child support enforcement services.
- States are required to extend medical assistance to families who lose eligibility for AFDC due to the collection of child support.

- States must establish guidelines for judges to use in setting child support awards.

The federal changes show little promise of increasing child support collections in California. This is because most of the enforcement tools that the new law mandates are already in place in California.

## Explaining Child Support Collection Performance

We attempted to identify the extent to which different types of staff and enforcement actions affect a county's success in collecting child support from absent parents. As regards staff, we conclude that:

- Small counties could increase their collections by increasing their staffing for the child support program. On the other hand, large- and medium-sized counties cannot increase their collections by increasing the size of their staff. Instead, these counties are more likely to increase their collections by increasing the productivity of their existing staff.
- Increasing the number of interviewers/investigators is more likely to result in increased collections than adding attorneys. In fact, small- and medium-sized counties that use relatively more attorneys collect less support than counties with lower attorney staffing levels.

We reviewed the effect of various enforcement actions, such as the use of liens and wage withholding, on the level of child support collections. Our analysis failed to show that any particular enforcement action is consistently effective in increasing collections. Unfortunately, little has been done to evaluate systematically the effectiveness of

various enforcement strategies. Therefore, we recommend that the Legislature direct the Department of Social Services (DSS) to undertake a carefully controlled study to determine the relative benefits and costs of alternative enforcement strategies.

Options for Increasing Child Support Collections

California has three options for increasing child support collections:

1. Charge Interest. Under current state law, counties can charge interest on the amount of unpaid support and other court awards. However, no county currently charges interest on child support arrearages. The imposition of interest charges might increase the importance that the absent parent places on paying support arrearages, thereby increasing child support collections.

2. Implement Federal Incentives. Federal law has been changed to require states to pass on federal incentive payments to local jurisdictions, based on their efficiency and effectiveness in collecting child support payments. In order to implement some of the new federal requirements regarding child support incentive payments, the Legislature will have to enact legislation. We recommend that the Legislature incorporate the following provisions in the federal regulations:

(a) An incentive formula that is based on a fixed percentage of collections, rather than on a variable percentage.

(b) A mechanism to phase-in the new federal incentive formula, in order to ensure that there are no large reductions in incentive payments made to individual counties.

(c) Retain the current requirement to allocate the incentive payments to child support enforcement activities.

3. Develop Computer Systems. Our analysis indicates that major increases in child support collections could be achieved through the automation of child support offices. The speed with which automation occurs will depend, in part, on the relative priority DSS gives to the development of child support systems, compared to other welfare computer systems. Unfortunately, DSS does not plan to automate the local child support program for at least five years. We recommend that the Legislature direct DSS to initiate work on child support automation projects, beginning with a review of the automation needs of the Child Support Enforcement program.

# CHAPTER I

## OVERVIEW OF THE CHILD SUPPORT ENFORCEMENT PROGRAM

The Child Support Enforcement program is a revenue-producing program administered by district attorneys' offices throughout California. Its objective is to locate absent parents, establish paternity, and obtain and enforce court-ordered child support payments. The service is available to both welfare and nonwelfare families. Child support payments that are collected on behalf of welfare recipients under the Aid to Families with Dependent Children (AFDC) program are used to offset the state, county, and federal costs of this program. Collections made on behalf of nonwelfare clients are distributed directly to the client.

### Fiscal Components of the Program

The Child Support Enforcement program has three fiscal components: (1) administrative costs, (2) child support collections which offset welfare grant costs, and (3) incentive payments.

The administrative costs of the child support program for both welfare and nonwelfare clients are paid by the federal (currently 70 percent) and county (30 percent) governments. Child support collected in behalf of welfare recipients are shared by all three levels of government. These funds are allocated among the three levels in the same way that the costs of AFDC grant payments are--approximately 50 percent to the federal government, 45 percent to the state, and 5 percent to the counties. Counties also receive "incentive payments" from the state and the federal

government, with the amount equal to a percentage of each county's child support collections. The federal percentage varies with the county's performance in collecting child support in behalf of both AFDC and non-AFDC children.[1] California provides a separate incentive payment equal to 7.5 percent of a county's collection payment.

Table 1 shows the 1985-86 budget for the Child Support Enforcement program. This program is expected to result in net savings of $59 million to the General Fund in 1985-86. The federal government, on the other hand, is expected to spend $39 million more for administration and incentive payments than it receives in the form of grant savings as a result of California's child support program in 1985-86. Counties are expected to experience a net savings of nearly $14 million.

1. This variable incentive formula is effective October 1, 1985. The formula is the result of recent federal legislation which changed the incentive payment payment from a fixed 12 percent of collections to a variable percentage and added non-AFDC collections to the formula.

Table 1

Fiscal Impact of the Child Support Enforcement Program
1985-86
(in thousands)

| | Total | State | Federal | County |
|---|---|---|---|---|
| County Administration | $126,772 | -- | $95,066 | $31,706 |
| AFDC | (94,551) | -- | (70,901) | (23,650) |
| Nonwelfare | (32,221) | -- | (24,165) | (8,056) |
| State Administration | 7,095 | $2,128 | 4,967 | -- |
| Welfare Collections | -164,847 | -76,081 | -79,881 | -8,885 |
| Incentive Payments | 1,455 | 15,002 | 21,950 | -35,497 |
| Totals | -$29,525 | -$58,951 | $42,102 | -$12,676 |

## Child Support Collections: Recent History

Few public programs in California can boast of the increases in productivity that have occurred in the Child Support Enforcement program. Between 1978-79 and 1985-86, total child support collections--welfare and nonwelfare--increased 91 percent, from $170 million to an estimated $325 million. The AFDC collections have increased 102 percent during this period, as shown in Chart 1. The non-AFDC collections have increased 80 percent since 1978, as shown in Chart 2.

Chart 1 also shows the shares of AFDC child support collections attributable to "base collections" and "intercept collections." ("Base collections" result from activities other than computer intercept programs.) In this section, we discuss the extent to which these collections have varied in the past and are expected to change in the future.

Chart 1

## AFDC Child Support Collections
1976-77 through 1985-86

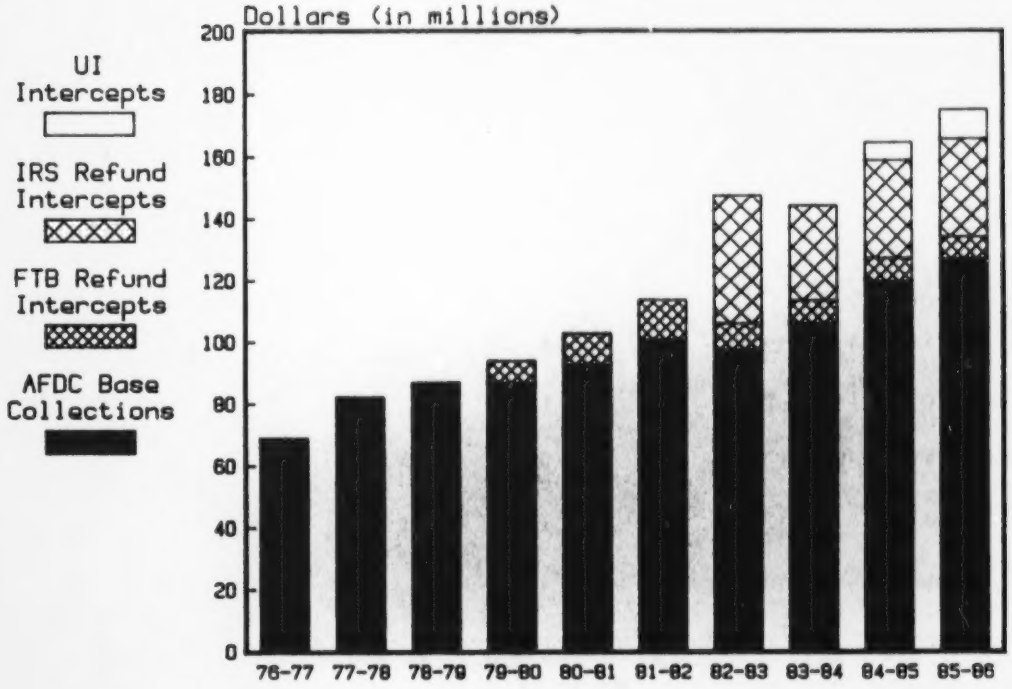
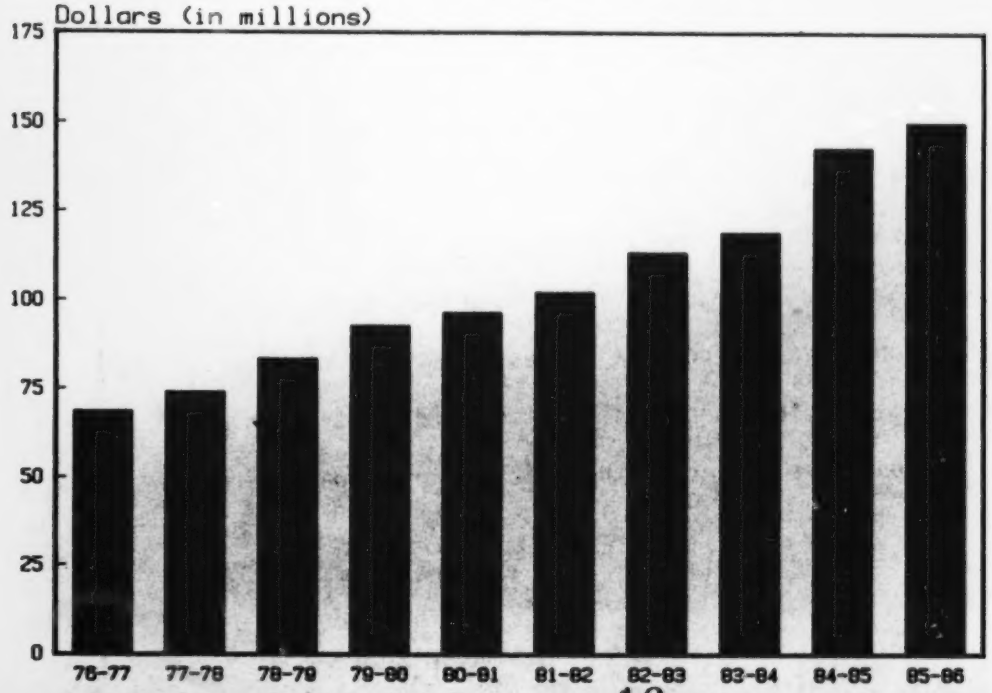



Chart 2

## Non-AFDC Support Collections
1976-77 through 1985-86



Base Collections. Chart 1 shows that, except for the year 1982-83, base collections for AFDC children increased steadily between 1976-77 and 1985-86. Collections failed to increase in 1982-83 primarily because changes in federal law caused a significant number of AFDC families to lose their eligibility for assistance. Collections in behalf of these families show up in Chart 2 as non-AFDC collections.

Intercepts. In recent years, three computerized intercept programs have accounted for large increases in AFDC child support collections. These programs include the Franchise Tax Board (FTB) intercept program, the Internal Revenue Service (IRS) intercept program, and the recently established Unemployment Insurance (UI) intercept system. The FTB and IRS intercept programs garnish state and federal tax refunds of absent parents who owe past-due child support. The UI intercept system takes up to 25 percent of an absent parent's UI benefits to pay either past-due or current child support obligations.

As Chart 1 shows, these intercept programs initially yielded significant increases in child support collections. However, total collections from the intercept programs have fallen in recent years. This decline has occurred despite increases in the number of cases submitted to tax agencies, as well as increases in the total arrearage amounts owed.

A recent study by the IRS shows that California's experience of declining revenue from income tax intercepts is shared by many other states. The study found that, nationwide:

- Taxpayers whose returns are attached in one year are less likely than a control group to file a return in the next year.

- Those who do file have smaller amounts refunded to them, resulting in smaller average amounts attached by the intercept system.

The IRS study showed a 16 percent decline in the average dollar amount intercepted per return attached between the 1981 and the 1982 tax years. This is similar to California's experience. Over this same period, California suffered a 14 percent decline in the average amount attached from IRS refunds and a 16 percent decline in the average amount attached from the FTB refund.

The IRS study suggests that the nationwide decline in the amount intercepted was due to an increase in the amount of tax paid, rather than to a decrease in the amount of tax withheld. According to the study, the decline in the number of attached returns "was due to a decrease in the number of dependents claimed on ... returns, rather than any apparent change in withholding." This decrease in the number of dependents reported by the taxpayer, increased the amount of tax owed, thereby reducing the amount of refunds available for intercept. Thus, there is as yet no evidence that absent parents have increased their exemptions in order to reduce the amounts withheld from wages and thereby reduce the size of refunds potentially subject to intercept.

Prospects for Growth in AFDC Collections

It is difficult to estimate precisely how the intercept programs will affect child support collections in the future. Based on recent experience, we believe it is likely that the amount of child support collections received from tax intercept programs will decline somewhat, as some absent parents find ways to avoid large tax refunds. It is also

likely that collections from the intercept programs eventually will stabilize, except for the fluctuations caused by economic cycles. Based on recent experience, the annual amount collected through the interception of federal income tax refunds probably will remain around $30 million, while the amount collected from state tax returns is likely to remain at approximately $7 million.

As regards base collections, we believe that a 4 percent annual growth rate can be sustained barring major changes in the AFDC program. Base collections in behalf of AFDC families have grown at an average annual rate of 5.7 percent since 1978-79. (Collections for non-AFDC families have grown at an average annual rate of 9.4 percent during the same period.) At the very least, the increase in AFDC collections should be no less than the 1 percent annual growth in the AFDC-Family Group caseload that has been experienced in recent years.

Changes in Recent Estimates

In the past two years, actual of child support collections have fallen significantly short of estimated collections. For example, the 1983 Budget Act assumed that total AFDC child support collections would reach nearly $172 million in 1983-84. The actual amount collected, however, was only $136 million--$36 million, or 21 percent, less than the amount anticipated.

Actual child support collections have fallen short of the estimated level for the following two reasons:

- The state has not been able to sustain the substantial increases in tax intercepts which were achieved during the first few years of the program.

- Estimates of collections have included amounts anticipated from the UI intercept system whose implementation was delayed for several years.

## CHAPTER II

## FEDERAL CHILD SUPPORT LEGISLATION: HOUSE RESOLUTION 4325

Congress recently passed HR 4325 (PL 98-378), an act that significantly changes many features of the Child Support Enforcement program. The new law makes important changes in the formulas used to determine the amount of federal funds available for administration of the Child Support Enforcement program. It also requires the state to establish specified procedures for enforcing and collecting support payments and to implement new incentive formulas.

In this chapter, we summarize the major fiscal changes brought about by HR 4325.

### Changes in Child Support Funding

HR 4325 established new funding formulas governing both the federal share of administrative expenditures and the calculation of federal incentive payments for the Child Support Enforcement program.

Administrative Cost Sharing. The act reduces the federal share of administrative costs incurred under the Child Support Enforcement program. Currently in California, the federal government pays 70 percent of child support administrative costs and the counties pay the balance. The new law reduces the federal share of costs--by 2 percentage points in 1987-88 and by another 2 percentage points in 1989-90. After 1990, the rate will remain at 66 percent. As a result, the counties' share of costs will increase from 30 percent to 32 percent in 1987-88 and 34 percent in 1989-90.

Incentive Payments. Currently, the federal government allows states to retain 12 percent of total AFDC child support collections. This is intended to provide states with an incentive to collect child support payments. Under California law, the retained funds are passed along to those counties which collect the support payments.

HR 4325 makes three important changes in the calculation of federal incentive payments. First, incentives will now be based on both AFDC and non-AFDC collections. Second, the federal government will provide a minimum incentive payment equal to 6 percent of total AFDC and non-AFDC collections. Third, states will be entitled to receive more than the minimum incentive payment based on the ratio of their child support collections to their total administrative costs for collection activities (combined AFDC and non-AFDC administrative costs).

Under the new federal law, California will qualify for a minimum incentive payment equal to 6 percent of both AFDC and non-AFDC collections. The incentive rate will increase above 6 percent if California improves its collections-to-cost ratio. The incentive rates for AFDC and non-AFDC incentives will increase separately, as shown in Table 2. The maximum incentive payment for either AFDC or non-AFDC collections is 10 percent.

Table 2

Federal Incentive Payment Rates
(Effective October 1, 1985)

| Ratio of AFDC or Non-AFDC Collections to Total Administrative Costs | Incentive Rate on AFDC or Non-AFDC Collections |
|---|---|
| 1.4 to 1 | 6.5% |
| 1.6 to 1 | 7.0 |
| 1.8 to 1 | 7.5 |
| 2.0 to 1 | 8.0 |
| 2.2 to 1 | 8.5 |
| 2.4 to 1 | 9.0 |
| 2.6 to 1 | 9.5 |
| 2.8 to 1 | 10.0 |

Table 3 shows what the fiscal impact of the new incentive formula would have been on California if the formula had been in effect during 1983-84. In that year, the formula would have reduced federal incentive payments to California by $1.9 million. (We assume that California would have qualified only for the minimum 6 percent incentive payments because the state's collections-to-cost ratios fell below the 1.4-to-1 level required for higher incentive rates.

Table 3

California's Federal Incentive Payments
Under Old and New Incentive Formulas
1983-84

| | AFDC Collections | Non-AFDC Collections | Total |
|---|---|---|---|
| 1983-84 collections | $158,226,854 | $125,778,067 | $284,004,921 |
| Collections/cost ratio | 1.34 | 1.07 | 2.41 |
| Old incentive (12%) | 18,987,222 | -- | 18,987,222 |
| New incentive (6.0%) | 9,493,611 | 7,546,684 | 17,040,295 |
| Difference between old and new incentive | -9,493,611 | 7,546,684 | -1,946,927 |

The actual change in federal incentive payments to California will depend, to some extent, on (1) what the federal government defines as administrative costs and (2) the kinds of costs counties include in their claims to the federal government for child support administration. For example, the new law allows laboratory costs associated with the establishment of paternity to be excluded from administrative costs. The exclusion of other costs besides these could increase the collections-to-cost ratio for the state, thereby increasing the incentive payments to California. In addition, collections by California on behalf of other states currently are not reported in a way that separates AFDC and non-AFDC support payments. As a result, the total collection amounts shown in Table 3 do not include these collections. If the state is given credit for these collections, the incentive rate could increase further.

HR 4325 requires the federal incentives paid to counties to be based on the efficiency and effectiveness of the local child support operation. In order to implement this provision, state law will have to be amended so

as to specify the formula that will be used to distribute the federal incentives.

Provisions Requiring Changes in State Law

The Legislature will have to enact enabling legislation in order to implement several of the changes in the Child Support Enforcement program made by HR 4325. These changes are summarized below.

Expedited Procedures (effective October 1, 1985). The federal law requires states to establish "expedited procedures," either through the judicial or administrative systems, for the establishment and enforcement of child support. Proposed federal rules, issued in September 1984, require states either to establish an administrative law structure or to appoint commissioners of the court to handle support cases. As a result of these changes, superior court judges would no longer issue the initial court order for support, but would review those orders that were appealed.

Withholding (effective October 1, 1985). The federal law requires that all child support orders include provisions for wage withholding and that states have procedures for automatic wage withholding when child support payments fall one month in arrears. California currently has a provision for automatic wage assignment in cases with one month's arrearage, but it has no requirement that new or modified support orders include provisions for wage withholding.

Application Fee for Non-AFDC Cases (effective October 1, 1985). Federal law requires states to collect an application fee of up to $25 from nonwelfare applicants for child support services. This fee may be based on the ability to pay and is not required of applicants who have gone off AFDC.

As an alternative to collecting a fee, federal law allows the state to pay the application fee out of state funds. The state may recover the cost of the fee from the absent parent who owes child support, and may use the recoveries to reimburse either itself or the parent with custody, depending on who paid the fee.

Currently, only one county in California collects fees in non-AFDC cases. In order to implement the fee requirement, state law will have to specify the amount of the fee and who shall pay it.

Extension of Medicaid (effective October 1, 1985). HR 4325 requires that a family's eligibility for Medicaid be extended for up to four months if it loses AFDC eligibility due to the collection of child support from the absent parent. Few California families would be affected by this provision because most child support awards are less than current AFDC grant payments.

Guidelines for Child Support Awards (effective October 1, 1987). Federal law requires states to develop suggested guidelines for judges to follow in determining the amount of support to be awarded. Recently, California passed legislation (AB 1527, Ch 1605/84) that established a minimum child support award. This legislation may satisfy this requirement.

Provisions Not Requiring State Legislation

HR 4325 requires states to implement several other changes in their child support programs. California is likely to be in substantial compliance with these requirements which include:

- State tax refund offset provisions.
- Lien establishment procedures.

- Authorization for courts to require a bond in certain cases.
- Establishment of paternity up to a child's 18th birthday.
- Provision of child support payment history to credit bureaus.
- Mandatory collection of spousal support when combined with a child support award.
- Child support commission to review state's system.
- IRS tax intercept extended to non-AFDC cases.

Expected Effect of Federal Changes

The new federal requirements enacted by HR 4325 show little promise of increasing child support collections in California. This is because California already has in place most of the enforcement tools that the new law mandates. (One exception is the use of IRS intercepts for non-AFDC cases.)

On the other hand, several provisions of the new law could result in decreased collections of child support by (1) reducing federal funds for administration of the program and (2) increasing the administrative burden on the state and counties. The new law reduces federal funding for the Child Support Enforcement program in two ways. First, it mandates a reduction in the federal share of administrative costs from 70 percent to 68 percent in 1987 and 66 percent in 1989. Second, the federal government can impose sanctions on a state or a county for failure to comply with actions required to correct program deficiencies identified in periodic performance audits.

In sum, the effects of the new incentive formula remain to be seen. Ultimately, the impact of the new formula will depend, in part, on the mechanism that the state uses to distribute the incentive funds among the



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counties. Initially, this mechanism could easily cause some counties to lose federal incentives payments. In the long run, county efforts to increase the collections-to-cost ratio could either increase or decrease overall collections. Collections would increase to the extent that counties succeeded in improving the productivity of existing personnel. Collections would decrease if counties cut productive staff simply as a means to reduce administrative costs.



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## CHAPTER III

## EXPLAINING COLLECTIONS PERFORMANCE

We analyzed cost and collection data for 1981-82 and 1982-83 in order to identify ways that counties could increase their child support collections. Specifically, we sought to answer the following questions:

- Would increasing county administrative expenditures result in increased collections?
- Which types of staff contribute most to increased collections?
- Which enforcement strategies are most effective in increasing collections?

Our analysis is based on AFDC collection data provided by the Child Support Management Information System of the Department of Social Services. In this chapter, we summarize our findings.

### Would Increasing County Administrative Expenditures Result in Increased Collections?

Small Counties Could Benefit from Increased Administrative Expenditures. We would expect counties with smaller AFDC caseloads to spend more than larger counties per recipient in order to collect child support payments. This is because smaller counties have a more difficult time achieving the economies that go with large-scale operations.

Table 4 shows that, as expected, the "very small" counties, on average, spent the most per recipient for child support activities in 1982-83. Counties in the "small" category, however, spent the least on average for child support activities. Their spending rate was much lower

than what one would expect, based on expenditure patterns for counties in different size categories.

Table 4

Average AFDC Administrative Costs and Collections in Four County Size Groups 1982-83

| County Size[a] | Number of Counties | Percent of FG Caseload | Average AFDC Administrative Expenditures Per 1,000 AFDC-FG Recipients | AFDC Collections Per 1,000 AFDC-FG Recipients |
|---|---|---|---|---|
| Very small | 15 | 0.7% | $103.41 | $172.65 |
| Small | 15 | 3.6 | 79.45 | 163.75 |
| Medium | 15 | 11.8 | 94.49 | 192.03 |
| Large | 14 | 83.9 | 88.22 | 147.06 |

a. The counties are grouped together based on the AFDC-Family Group caseloads in the counties. Alpine County is excluded from this analysis because its level of expenditures per Family Group recipient is considerably greater than that of any other county.

It is possible that, although small counties spend less on child support activities than expected, they nevertheless are effective in collecting support payments. The available evidence, however, suggests that small counties are not as effective as they could be in collecting child support. Table 4 shows that child support collections per 1,000 AFDC recipients in the small counties are lower than they are in both medium and very small counties.

Table 5 shows our estimate of what the additional collections would be if counties increased their expenditures for administration. (In making

these estimates, we attempted to control for differences in the characteristics of the individual counties.) The table shows that small counties could increase their collections by an average of $1.26 for every added dollar spent on administration. This suggests that increases in the scale of operations maintained by the small counties would be cost-effective.

Table 5

Estimated Increase in Collections for Each $1 Increase in Administrative Expenditures (standard errors in parenthesis)

| County Size | Impact on Collections[a] |
|---|---|
| Very small | -$0.10 (0.36) |
| Small | 1.26[b] (0.32) |
| Medium | 0.26 (0.28) |
| Large | 0.51 (0.40) |

a. Estimated impact based on ordinary least squares estimates of county collections performance for each county size group. The results of the regression analysis are shown in Appendix A.
b. Statistically significant.

The State Should Not Seek to Increase Administrative Expenditures in All Medium- and Large-Size Counties. Small counties account for only 4 percent of the AFDC child support collections in the state. Thus, the key to increasing collections statewide lies with the medium and large counties.

Our analysis indicates that, in general, it does not pay to increase administrative expenditures on child support activities in medium- and large-size counties. For example, we estimate that in large counties, each

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added dollar of administrative costs would result in only 51 cents in added collections, as shown in Table 5. Medium-size counties would collect only 26 cents for each additional dollar spent in administration.

We conclude from this data that the search for increased collections in medium- and large-size counties must focus on improving enforcement techniques and increasing the productivity of the existing staff, rather than on increasing administrative expenditures. Only after improvements in productivity are achieved would staffing increases in medium- and large-size counties be justified.

Which Types of Staff Contribute Most to Collections?

In general, local child support enforcement operations consist of attorneys and interviewers/investigators. Attorneys typically are responsible for supervising the legal aspects of enforcement activities and making the necessary court appearances. The interviewers/investigators are responsible for initiating actions needed to obtain and enforce support orders in new and existing cases.

Table 6 shows the average child support staffing levels per Family Group recipient for counties of varying sizes. The table shows that very small counties make considerably greater use of attorney staff than do the other counties. The table also shows that small counties have relatively small numbers of interviewers/investigators compared to other counties.

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Table 6

Average Child Support Staffing Levels[a]
1982-83

| County Size | Attorneys Per 1,000 Family Group Recipient | Interviewers/ Investigators Per 1,000 Family Group Recipient |
|---|---|---|
| Very small | 1.81 | 2.36 |
| Small | 0.32 | 1.40 |
| Medium | 0.24 | 1.43 |
| Large | 0.13 | 1.20 |

a. SOURCE: Our estimates are based on Table XXI, Child Support Management Information System (CSMIS) quarterly reports for 1982-83. We used total average staffing to calculate attorneys and interviewers/ investigators per Family Group recipient. We used total staffing because the CSMIS data do not separate these staff by AFDC and non-AFDC programs. We assumed that counties assigned similar amounts of staff to the AFDC and non-AFDC caseloads.

We have estimated the increase in collections that one could expect from increases in child support attorneys and interviewers/investigators. Because the Department of Social Services does not report staffing for AFDC and non-AFDC families separately, our analysis rests on the assumption that staff in each county spends a similar proportion of its time on AFDC and non-AFDC cases.

Table 7 shows our estimates of the added collections that would result from staffing increases. The table shows that:

- Increasing the number of interviewers/investigators is more likely to increase collections than adding attorneys.
- Small counties could increase collections by $41,000 for each interviewer/investigator added to their operations. This finding supports our earlier conclusion that small counties could benefit from additional staff (see Table 4).

- Small- and medium-size counties that use relatively more attorneys achieve a lower collections rate.

It must be emphasized that this analysis focuses on the performance of the average county in each group. Obviously, any county, regardless of its size, would benefit from increases in the productivity of its workers. Similarly, for an individual county with high productivity in any size group, increases in staffing will be cost-effective in most cases.

Table 7

Estimated Increase in Collections for
Each Additional Staff Person
(standard errors in parenthesis)

| County Size | Impact on Collections (in thousands)[a] | |
|---|---|---|
| | Attorney Staff | Interviewers/Investigators |
| Very small | $0.81 (5.7) | $5.4 (20.0) |
| Small | -27.0 (76.9) | 41.1 (15.7)[b] |
| Medium[c] | -8.9 (84.3) | 13.9 (19.8) |
| Large | 111.1 (270.7) | 13.8 (21.6) |

a. Estimated impact based on ordinary least squares regression estimates of county collection performance for each county size group. Results of the regression analysis are shown in Appendix B.
b. $0.01 < p < 0.05$
c. Estimates for medium counties were based on separate estimates for each type of staff. This was necessary because attorney and investigator staffing are highly correlated in the medium county group and estimating the coefficients in the same model leads to artificially large coefficients.

## Which Enforcement Strategies Work?

Each county's child support office faces the same set of problems in trying to locate absent parents, obtain child support orders, and collect the support. The child support personnel of counties throughout the state meet regularly to share information and experiences in an effort to

increase the effectiveness of their operations. Despite the similarities and the shared experiences, county collection performance varies widely. (For example, during 1982-83, child support collections per AFDC-FG recipient ranged from $282 in one county to $82 in another.) County costs per dollar of collections ranged from $1.36 to a low of 24 cents during the same time period.

One reason collection performance of counties varies is that counties use different enforcement strategies. Unfortunately, little has been done to evaluate systematically the effectiveness of various enforcement strategies.

Consider, for example, the process by which child support bills are sent to absent parents. Many child support administrators believe that sending a bill to the absent parent increases the chances that support payments will be paid on time. But administrators differ in the strategy they use for billing. Some administrators send bills to all absent parents who owe support; others send bills only to those parents with inconsistent payment histories. Some offices send a second bill when the first bill goes unpaid; others send only the monthly bill with any unpaid arrearages shown in the bill. There are many opinions about the cost-effectiveness of these billing practices. But there is no clear evidence about what kind of billing is most effective.

We conducted a statistical analysis to estimate the increase in collections that would result from taking different enforcement actions. For each of the four county groups, we estimated the effect on collections of five separate enforcement actions: filing writs, establishing wage assignments, filing charges of criminal nonsupport, citing the payor for



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contempt, and establishing liens.[1] This analysis failed to show any particular action as consistently effective in increasing collections in all county sizes.[2]

Although our analysis did not find one particular enforcement tool to be more effective than another, it is unlikely that all enforcement tools are equally effective. A carefully controlled study could shed light on the relative effectiveness of the different enforcement strategies, such as (1) establishment of liens, (2) civil or criminal penalties, (3) prioritization of cases, (4) more frequent case review, (5) adoption of case activation and closing criteria, and (6) billing.

It is unlikely that this study could be completed within existing Department of Social Services' resources. However, in our view, the potential for improving the effectiveness of the Child Support Enforcement program would justify the added expenses of conducting the study. Therefore, we recommend that the Legislature direct the Department of Social Services to undertake a carefully controlled study to determine the relative benefits and costs of alternative enforcement strategies.

1. Appendix D provides brief descriptions of each action.
2. The results of the analysis are shown in Appendix C.



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## CHAPTER IV

## ACTIONS TO INCREASE COLLECTIONS

This chapter describes several options for increasing child support collections. Some of the options require state legislation, while others require only county initiative.

### Charging Interest on Unpaid Child Support

State law requires that counties charge absent parents interest on the amount of unpaid child support and other court awards. No county, however, currently charges interest on unpaid balances when collecting arrearages. This is primarily because many counties lack the data systems needed to calculate interest due. Some counties are working to develop the needed data systems.

We do not know whether charging interest on unpaid child support would increase the chances that an absent parent will pay the support. Presumably, an absent parent faced with a variety of bills that ultimately must be paid is more likely to pay first the debt with the highest interest charges. If this presumption is correct, unpaid child support obligations that are not subject to interest would have the lowest priority claim on an absent parent's funds. Thus, charging interest might induce the parent to give a higher priority to the payment of child support. On the other hand, it is possible that the interest charge will have no effect on an absent parent who now fails to pay support on time. Even in these cases, however, charging interest would increase the size of arrearages due, and thus would increase collections through the intercept systems.

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Implementing the Federal Performance Incentives

As discussed earlier, HR 4325 requires the states to pass on federal incentive payments to those local jurisdictions that are responsible for providing child support services. While the federal law requires the incentives to be based on the efficiency and effectiveness of the local units, the law gives the states discretion in determining the actual incentive formula to be used. Based on our review of the alternative incentive structures available to the state, we recommend that the Legislature adopt an incentive formula based on a fixed percentage of collections rather than a varying percentage because the performance based percentage can lead to actual reduction in total collections.

Under the federal formula, the incentive percentage depends on the ratio of child support collections to administrative costs for the collection agency. The higher the collections for a given level of administrative cost, the higher will be the percentage paid as an incentive. This may encourage agencies to use existing resources more effectively in order to increase collections and thereby increase the incentive payments that the agency would receive. On the other hand, the agency could choose to increase incentive payments by decreasing administrative costs. This could be achieved, for example, by either reducing staff or foregoing development of data processing systems. This latter strategy may increase incentive payments in the short-run by increasing the incentive percentage for which the agency would qualify, but eventually this strategy could lead to a decline in collections as the effects of reduced staff or inadequate data systems are ultimately felt.



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An added incentive for cost-effective performance might be justified in the absence, at the county level, of other incentives for efficient use of resources. However, the counties currently share in 30 percent of the costs of child support enforcement and that percentage is slated to increase to 34 percent in four years. Paying a substantial share of the administrative costs is an important incentive for cost-effective performance.

One of the hallmarks of the child support enforcement program to date has been its ever changing funding arrangement. As a result, budget plans have been implemented under a different set of ground rules than what was anticipated. Table 8 summarizes the changes that have occurred since 1976. Given the program's history, counties cannot be sure what funding will be available for the program in the coming year. This uncertainty may have caused some counties to budget for fewer staff than they would have otherwise. Moreover, the changing incentive structure has weakened the link between performance and incentive payments. An incentive structure based on the federal model contributes further to this uncertainty. Incentive payments under such a system are unpredictable and cannot be known until well after the close of the fiscal year. We believe that this uncertainty can result in <u>smaller</u>, rather than larger, child support collections.

Table 8

History of Child Support Funding Ratios
1975 to 1985

| | Administrative Costs | | | Incentive Payments | |
|---|---|---|---|---|---|
| | Federal | State | County | Federal | State |
| 1975-76 | 75% | -- | 25% | 25% | 8.75% |
| 1976-77 | 75 | -- | 25 | 25 | 2.75 |
| 1977-78: | | | | | |
| July-September | 75 | -- | 25 | 25 | 2.75 |
| October-June | 75 | -- | 25 | 15 | 12.75 |
| 1978-79 | 75 | 25% | -- | 15 | -- |
| 1979-80 | 75 | -- | 25 | 15 | 15.00 |
| 1980-81: | | | | | |
| July-December | 75 | -- | 25 | 15 | 15.00 |
| January-June | 75 | -- | 25 | 15 | 12.75 |
| 1981-82: | | | | | |
| July-September | 75 | -- | 25 | 15 | -- |
| October-June | 75 | -- | 25 | 15 | 7.50 |
| 1982-83: | | | | | |
| July-September | 75 | -- | 25 | 15 | 7.50 |
| October-June | 70 | -- | 30 | 15 | 7.50 |
| 1983-84: | | | | | |
| July-September | 70 | -- | 30 | 15 | 7.50 |
| October-June | 70 | -- | 30 | 12 | 7.50 |
| 1984-85 | 70 | -- | 30 | 12 | 7.50[a] |

a. Bonus incentive in effect.

Transition to Performance-Based Incentives. Many counties rely on incentive payments to fund their share of the Child Support Enforcement program's administrative costs. Therefore, a reduction in these payments can decrease a county's level of effort.

Based on 1983-84 collections data, we estimate that 19 counties stand to receive increased incentives under the new federal incentive formula. On the other hand, 39 counties stand to lose federal incentive payments unless the state's performance is good enough to merit more than the minimum 6 percent incentive payment and the individual county performance is good enough to merit a better-than-average share of total federal dollars. The counties that will be hit the hardest are those which, in the past, have focused their efforts on collecting child support for AFDC (rather than non-AFDC) families.

Accordingly, we recommend that the Legislature adopt a mechanism to phase-in the new incentive formula in order to avoid an abrupt reduction in incentive payments to individual counties.

The Requirement to Spend Incentives. In the past, counties had full discretion in the use of their incentive payments. As we indicated above, however, many counties have used these payments to fund their share of the Child Support Enforcement program's administrative costs.

Recent changes in state law (AB 3123, Ch 1702/84), require counties to use their child support incentive payments to administer the program. Based on 1982-83 data, we estimate that this requirement will increase spending for this purpose in 13 counties. We believe that these 13 counties are the ones that could make the most cost-effective use of increased administrative expenditures for two reasons. First, child support administrative spending by all but one of these counties is substantially below the average for other counties of that size. Second, the collections-to-cost ratio for all but one county is below average, partly due to the relatively small size of the affected counties.

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Therefore, we recommend that the Legislature, in determining a new incentive formula, retain the current requirement that counties spend incentive payments on child support enforcement activities. Retention of this requirement will increase administrative spending in counties where increases are most likely to be cost-effective.

Developing Computer Systems

Currently, the Department of Social Services is developing a statewide automated system for the administration of selected welfare programs. This system is known as the Statewide Automated Welfare System (SAWS). Although the legislation mandating SAWS envisions that the Child Support Enforcement program will be automated, the SAWS project does not plan on developing the child support functions for several years. In the meantime, counties will continue to develop child support enforcement systems that cannot communicate effectively with one another.

We believe major increases in child support collections can be achieved through automation of child support offices. In fact, for most of the medium- and large-size counties, automation offers one of the best ways to increase collections in a cost-effective manner. (These counties are responsible for over 90 percent of current collections.)

We recommend that the state not impose on the counties a centralized data processing system which performs all of the functions that support the Child Support Enforcement program. This is because those managers responsible for the day-to-day operation of child support activities should have as much control as possible over the operation of their supporting data systems.

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County Systems. In our judgment, counties would benefit from automating the following aspects of their child support operations:

- Word processing--the preparation of standard letters and legal documents can be automated in order to improve the speed and accuracy of document preparation. Several counties already operate extensive word processing systems.
- Case management--the size of a child support investigator's caseload can be increased whenever the management of the caseload is aided by automation. Automation allows the worker to target enforcement efforts on the most promising cases and to insure that necessary actions are taken at the appropriate times.
- Accounting and billing--keeping track of payments, obligations, and arrearages can be greatly streamlined through automation. For example, automating the payment history of a case has the following advantages: (1) it eases preparation of listings for computer match systems, (2) it allows the calculation of interest on unpaid support, and (3) it allows cases to be flagged for special action depending on their payment histories.

In order to speed the development of child support computer systems, the state would first have to increase funding to develop new standards for the county systems. It could do this directly, using state staff or contractors to develop computer systems for the counties. These systems could be developed as modules that stand alone but are compatible with each other and with county welfare systems. Such an approach would require the state to conduct a careful review of existing systems to assess needs and to design and develop each operating module.

Alternatively, the state could speed the development of computer systems for the Child Support Enforcement program indirectly by offering money to the counties for this purpose. As a condition of funding, the state might require that the systems (1) be developed in accordance with performance standards and (2) be compatible with other data systems, such as the county's welfare computer files.

Central State File. Finally, there are certain data processing functions in which the state must play an important role. The most obvious of these functions is helping counties to share information concerning child support cases, particularly information concerning existing child support clients, paternity findings, and child support court orders. Currently, counties phone or write each other in order to obtain information on existing cases or to locate existing orders. Under this system, court orders can be particularly hard to locate unless the client can provide accurate information about where and when the order was issued. A central state file of child support cases and child support orders would help counties locate and obtain existing support orders. The state file need not be an on-line file, but could provide batch processing of clearances for new child support applicants.

In light of the existing communication links between many district attorney offices and the Department of Justice through the California Law Enforcement Telecommunications System, it might be better to locate a statewide index in the Department of Justice, rather than in the Department of Social Services. The development of a state central child support file would likely qualify for enhanced federal funding equal to 90 percent of total costs.

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Conclusion. The likelihood of automating the Child Support Enforcement program depends, in part, on the relative priority given by the Department of Social Services to such development. According to the Advanced Planning Document describing SAWS, the Department of Social Services plans no effort to automate this program until at least 1990.

We believe the potential for improving county productivity through automation warrants a higher priority for the child support program. Therefore, we recommend that the Legislature direct the Department of Social Services to initiate work on child support automation projects beginning with a review of the Child Support Enforcement program's automation needs. Such a review should identify which functions should be appropriately served by a state data network and how best to fulfill the need.

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## APPENDIX A

Estimates of 1982-83 AFDC Collections as a Function Of Administrative Costs

**Model:**

AFDC collections per FG recipient = intercept + $b_1$ x (administrative cost per FG recipient) + $b_2$ x (predicted recoupment)[a] + $b_3$ x (FG recipients) + error

a. Predicted recoupments were estimated by the Department of Social Services based on characteristics of counties, including out-of-wedlock birth rate, child death rate, divorce rate, percent of Asian AFDC recipients, percent of black AFDC recipients, and under-five years old death rate.

| Variables | Very Small | Small | Medium | Large |
|---|---|---|---|---|
| Total AFDC collections per FG recipient | $172.6 | $163.7 | $192.0 | $147.1 |
| AFDC administrative cost per FG recipient | $103.4 | $79.4 | $94.5 | $88.2 |
| Predicted recoupment | 9.9% | 9.1% | 8.6% | 7.4% |
| FG recipients (thousands) | 704 | 3,365 | 11,077 | 78,964 |
| Number of counties | 15 | 15 | 15 | 12 |

| Variables | Coefficient Estimates Based on Ordinary Least Squares Regressions (t-values in parenthesis) Very Small | Small | Medium | Large |
|---|---|---|---|---|
| AFDC administrative costs per FG recipient | -0.10 (-0.27) | 1.26 (3.89)[a] | 0.26 (0.91) | 0.51 (1.28) |
| Predicted recoupment | 3.42 (0.41) | -6.86 (-0.85) | 25.77 (2.58)[b] | -2.11 (-0.43) |
| FG recipients | 0.0086 (0.25) | -0.011 (-1.33) | -0.001 (-0.57) | -0.0002 (-2.05)[c] |
| Intercept | 144.6 (1.36) | 162.9 (2.00)[c] | -41.5 (-0.48) | 131.4 (3.50)[a] |
| $r^2$ | 0.05 | 0.66 | 0.54 | 0.48 |

a. $0.001 < p < 0.01$
b. $0.01 < p < 0.05$
c. $0.05 < p < 0.10$

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APPENDIX B

Estimates of 1982-83 AFDC Collections as a Function Of Total Staffing[a]

Model:

AFDC collections per FG recipient = intercept + $b_1$ x (attorney staff per FG recipient) + $b_2$ x (interviewer/investigator staff per FG recipient) + $b_3$ x (predicted recoupment) + $b_4$ x (FG recipients) + error

a. Data based on Table XXI of quarterly CSMIS reports. Because these reports do not separate AFDC and non-AFDC staff, this analysis assumes that counties allocate the same share of time to AFDC and non-AFDC activities.

| Variables | Mean Values | | | |
|---|---|---|---|---|
| | Very Small | Small | Medium | Large |
| Attorneys | 1.81 | 0.32 | 0.24 | 0.13 |
| Interviewers/investigators | 2.36 | 1.40 | 1.43 | 1.20 |
| Predicted recoupment | 9.88% | 9.07% | 8.6% | 7.4% |
| FG recipients (in thousands) | 704 | 3,365 | 11,077 | 78,964 |
| Number of counties | 15 | 15 | 15 | 12 |

| Variables | Coefficient Estimates Based on Ordinary Lease Squares Regression | | | | |
|---|---|---|---|---|---|
| | Very Small | Small | Medium[a] | | Large |
| Attorneys | 0.81<br>(0.14) | -27.0<br>(-0.35) | -8.9<br>(-0.11) | -- | 111.1<br>(0.41) |
| Interviewers/investigators | 5.4<br>(0.27) | 41.1<br>(2.61)[b] | -- | 13.9<br>(0.70) | 13.8<br>(0.64) |
| Predicted recoupment | 3.4<br>(0.37) | 4.8<br>(0.57) | 30.0<br>(2.88) | 26.6<br>(2.63) | -0.6<br>(-0.12) |
| FG recipients | 0.02<br>(0.44) | -0.01<br>(-0.90) | -0.002<br>(-0.54) | -0.001<br>(-0.56) | -0.0002<br>(-1.79)[c] |
| Intercept | 109.0<br>(0.80) | 103.8<br>(1.09) | -51.3<br>(-0.57) | -44.4<br>(-0.51) | 133.2<br>(3.00)[d] |
| $r^2$ | 0.05 | 0.57 | 0.51 | 0.53 | 0.46 |

a. Coefficients for medium counties were estimated for two separate models, one including attorneys but excluding interviewers/investigators and the other including the interviewers/investigators but excluding the attorneys.
b. $0.01 < p < 0.05$
c. $0.05 < p < 0.10$
d. $0.001 < p < 0.01$

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APPENDIX C

Estimates of 1982-83 AFDC Collections as a Function Of Enforcement Actions

**Model:**

AFDC collections per FG recipient = intercept + $b_1$ x (PC 270 actions) + $b_2$ x (wage assignments) + $b_3$ x (contempt actions) = $b_4$ x (writs issued) + $b_5$ x (liens filed) + $b_6$ x (predicted recoupment) + error

a. All actions are actually AFDC-related actions per FG recipient. See Appendix D for a brief description of each action.

| Variables | Mean Values | | | |
|---|---|---|---|---|
| | Very Small | Small | Medium | Large |
| PC 270 action | 8.78 | 6.94 | 7.90 | 3.49 |
| Wage assignments | 8.27 | 13.58 | 19.88 | 20.24 |
| Contempt actions | 9.24 | 18.07 | 7.33 | 7.55 |
| Writs issued | 3.85 | 5.71 | 18.76 | 8.51 |
| Liens filed | 2.05 | 13.88 | 33.76 | 25.00 |
| Predicted recoupment | 9.9% | 9.1% | 8.6% | 7.4% |
| Number of counties | 15 | 15 | 15 | 12 |

a. Action variables are expressed as actions per FG recipient.

| Variables | Coefficient Estimates Based on Ordinary Least Squares Regressions (t-values in parenthesis) | | | |
|---|---|---|---|---|
| | Very Small | Small | Medium | Large |
| PC 270 actions | -1.01<br>(-1.00) | 1.88<br>(0.78) | 0.61<br>(0.88) | -0.33<br>(-0.25) |
| Wage assignments | 0.75<br>(0.80) | 1.07<br>(0.60) | 1.84<br>(1.41) | 2.75<br>(3.24) |
| Contempt actions | -0.48<br>(-0.72) | 0.17<br>(0.30) | 2.93<br>(3.39) | -1.29<br>(-1.67) |
| Writs filed | 1.99<br>(1.75) | 3.57<br>(1.52) | 0.13<br>(0.11) | 2.12<br>(2.53)[a] |
| Liens filed | 6.34<br>(1.79)[b] | -0.20<br>(-0.15) | -0.30<br>(-0.94) | -0.86<br>(-3.24)[c] |
| Predicted recoupments | 0.98<br>(0.17) | 17.3<br>(1.14) | 16.4<br>(1.73) | 9.6<br>(2.60)[a] |
| Intercept | 146.4<br>(2.66)[a] | -41.1<br>(-0.30) | -4.2<br>(-0.06) | 29.3<br>(1.14) |
| $r^2$ | 0.74 | 0.49 | 0.85 | 0.96 |

a. $0.05 < p < 0.01$
b. $0.10 < p < 0.05$
c. $0.001 < p < 0.01$

## APPENDIX D

### Definitions of Enforcement Actions

Charges of Criminal Nonsupport. Such charges can be filed pursuant to Penal Code Section 270 for criminal failure to provide support. The offense can be either a felony or misdemeanor.

Wage Assignment. A motion for a wage assignment pursuant to Civil Code Section 4701.

Contempt Citation. The absent parent is served with an order to show cause why he should not be held in contempt of court for not meeting his child support obligation.

Writ Issued. Writ of execution may be levied against the wages of the absent parent.

Lien Filed. A lien may be recorded against property of the absent parent.